

Following example illustrates this type of corporation.

(a) FACTS:	<u>1979</u>	<u>1980</u>
Wisconsin Net Income (Loss) Before Offset	\$ (30,000)	\$ 50,000
Nontaxable or Exempt Income Deducted:		
Outside Wisconsin Rent Income (Net)	\$ 4,000	\$ 4,000
Outside Farm or Mining Income (Net)		\$ 2,000
Deductible Dividends	\$ 1,000	\$ 2,000
Gain on Life Insurance Death Benefit	\$ 15,000	
<b>(b) COMPUTATION OF LOSS OFFSET AVAILABLE:</b>		
Wisconsin Net Income (Loss) Before Offset	\$ (30,000)	\$ 50,000
Adjustments: Deductible		
Dividends	1,000	2,000
Gain on Life Insurance Death Benefit	<u>15,000</u>	
Adjusted Wisconsin Net Income (Loss)	<u>\$ (14,000)</u>	\$ 52,000
Net Income Before Offset per Return		<u>50,000</u>
Income to Reduce Loss Offset		\$ 2,000
1979 Adjusted Loss		<u>(14,000)</u>
Wisconsin Net Business Loss Offset to Claim on 1980 Return		<u>\$ (12,000)</u>

2) "Multi-State" Corporation. A corporation that has business income in more than one state that is filing on apportionment would have two types of income: Situs income (following situs of property) and business income (following situs of business). The Wisconsin net business loss is determined by the amount of such loss attributable to Wisconsin. Total company income (loss) must be adjusted by items of income as set forth in part c. above. Items of income following situs of the property are shown as non-apportionable in computing the Wisconsin net income (loss). Gains (losses) on the sale of business assets are treated as business income. Gains (losses) on non-business assets are treated as non-appor-

tionable. The following example illustrates this type of corporation:

(a) FACTS:	<u>1979</u>	<u>1980</u>
Total Company Net Income (Loss)	\$ (25,000)	\$ 32,000
Total Company Non-Apportionable Income (Loss)	<u>( 1,000)</u>	<u>2,000</u>
Apportionable Income (Loss)	\$ (24,000)	\$ 30,000
Percent to Wisconsin	<u>66.67%</u>	<u>60%</u>
Amount to Wisconsin	\$ (16,000)	\$ 18,000
Wisconsin Non-Apportionable Income (Loss)	<u>-0-</u>	<u>-0-</u>
Wisconsin Net Income Before Offsets (per return)	<u>\$ (16,000)</u>	<u>\$ 18,000</u>
Items included or deducted in above:		
Loss on Sale of Out-of-State Business Assets	\$ 6,000	
Loss on Sale of Out-of-State Non-Business Assets	\$ 4,000	
Net Rental Income Outside Wisconsin	\$ 3,000	\$ 2,000
Deductible Dividend	\$ 9,000	\$ 10,000
<b>(b) COMPUTATION OF LOSS OFFSET AVAILABLE:</b>		
Total Company Net Income (Loss)	\$ (25,000)	\$ 32,000
Adjustment: Deductible Dividends	<u>9,000</u>	<u>10,000</u>
Adjusted Total Net Income (Loss)	\$ (16,000)	\$ 42,000
Total Company Non-Apportionable Income (Loss)	<u>( 1,000)</u>	<u>2,000</u>
Apportionable Income (Loss)	\$ (15,000)	\$ 40,000

Percent to Wisconsin	<u>66.67 %</u>	<u>60 %</u>	Adjustments:		
Amount to Wisconsin	\$ (10,000)	\$ 24,000	Deductible Dividends	3,000	5,000
Non-Apportionable Income	<u>-0-</u>	<u>-0-</u>	Sec. 337 Gains Excluded		<u>20,000</u>
Adjusted Wisconsin Net Income (Loss)	<u>\$ (10,000)</u>	\$ 24,000	Adjusted Wisconsin Net Income (Loss)	<u>\$ (27,000)</u>	\$ 65,000
Wisconsin Net Income Before Offset (per return)		<u>18,000</u>	Net Income Before Offset (per return)		<u>40,000</u>
Income to Reduce Loss Offset		\$ 6,000	Income to Reduce Loss Offset		\$ 25,000
1979 Adjusted Loss		<u>(10,000)</u>	1979 Adjusted Loss		<u>(27,000)</u>
Wisconsin Net Business Loss Offset to Claim on 1980 Return		<u>\$ ( 4,000)</u>	Wisconsin Net Business Loss Offset to Claim on 1980 Return		<u>\$ ( 2,000)</u>

Note: The gain or loss on the sale of business and non-business assets are included in the computation of the net income or loss. Beginning with the law change to s. 71.06, Wis. Stats., for 1976 and thereafter (Chapter 224, Laws of 1975), the loss offset is not adjusted for non-business losses.

e. What effect do nontaxable gains due to a Section 337 liquidation have on the loss carryover?

Gains on the sale of assets in liquidation which are nontaxable pursuant to s. 71.337, Wis. Stats., must be included in income to determine a loss offset available. The following example illustrates this situation:

(a) <u>FACTS:</u>	<u>1979</u>	<u>1980</u>
Wisconsin Net Income (Loss) Before Offset	\$ (30,000)	\$ 40,000
Nontaxable or Income Items Deducted:		
Deductible Dividends	\$ 3,000	\$ 5,000
Sec. 337 Gains Excluded		\$ 20,000

(b) <u>COMPUTATION OF LOSS OFFSET AVAILABLE:</u>		
Wisconsin Net Income (Loss) Before Offset	\$ (30,000)	\$ 40,000

**FARMLAND PRESERVATION CREDIT**

**Determining A Corporation's Income**

Facts and Question: For purposes of meeting the eligibility requirements for the Farmland Preservation Credit, the first income year of the newly formed corporation may consist of twelve months or less. For example, a corporation formed on July 1, 1980 and adopting a calendar income year would have a 1980 income year of July 1, 1980 through December 31, 1980, a period of six months. In computing the "income" of a corporation claiming a farmland preservation credit, s. 71.09 (11) (a) 6.b., Wis. Stats., provides that such income shall include not only the corporation's income for the income year but also the household income of each of its shareholders of record at the end of its income year. In computing the corporation's farmland preservation credit for 1980, how is "income" computed for the corporation and its shareholders?

Answer: The "income" would include (a) the corporation's income for the period July 1, 1980 through December 31, 1980, and (b) for each shareholder of record as of December 31, 1980, such shareholder's income for the 12 month period ending December 31, 1980. It should be noted that even though the corporation includes its income for only a six month period, the shareholders must report their income for a twelve month income year ending December 31, 1980.

The income of the corporation for the six month period July 1, 1980 through December 31, 1980 does not have to be annualized.